

CITY OF WOONSOCKET

INVESTMENT BOARD

MINUTES OF THE MEETING OF May 26, 2011

The City of Woonsocket Investment Board met on Thursday, May 26, 2011.

The following members were in attendance: Roger Begin, Richard Lepine, and Roland Michaud.

Also attending was: Thomas M. Bruce III, Diane M. Ciullo, Philip M. Gorgone, P-Solve Asset Solutions, and Justyna Mietelska, P-Solve Asset Solutions.

The meeting was called to order at 8:35am.

Review and Approval of Minutes

A motion was made by Roger Begin to approve the minutes of the April 6, 2011 meeting, seconded by Richard Lepine. Motion carried by unanimous voice vote.

Approval of Invoices for Payment

The following invoices were reviewed for payment:

Invoices for payment:

Hartford Investment Management \$9,580.19

(01/01/11 – 3/31/11)

State Street Global Advisors \$5,874.31

(01/01/11 – 03/31/11)

TOTAL INVOICES \$15,454.50

A motion was made by Richard Lepine to approve the invoices as presented above, seconded by Roland Michaud. Motion carried by unanimous voice vote.

Chairman Begin stated that going forward all invoices will be reviewed and approved by P-Solve and Tom Bruce, Finance Director. Invoices will be presented to the Board only if there is a performance issue or business solvency issue with a Fund Manager.

Payment vouchers for Reimbursement to General Fund from the Pension Fund for payments of benefits to Retirees will be presented to the Board at each meeting. Roland Michaud requested that all payments from January 1, 2011 be presented to the Board at the next meeting.

Review of Investment Activity by P-Solve Asset Solutions

The annual actuarial investment earnings rate of the pension plan is a rate of 8.25%.

P-Solve representative Phil Gorgone and the Board discussed the unrealistic nature of this assumption and the potential implications of lowering the percentage. Finance Director Bruce recommended that the rate be decreased by a small amount each year. An annual decrease value of .25% may result in a more manageable increase to the amount of the total pension liability.

P-Solve provided Board members with a report for April 2011 Year to Date Estimate ending 04/30/11 which is attached to these minutes. The total portfolio market balance in this report, is listed at \$63,784,674 the starting value on 4/1/11, \$62,100,853. This increase represents a return of 6.8%. It is comparable to the policy benchmark of 7.2%.

Richard Lepine asked Mr. Gorgone what direction he expected from the Board in the next two years. Mr. Gorgone responded that regular communication and input from the Board in terms of Investment Policy is necessary. Chairman Begin asked if the Portfolio is sufficiently diversified. Mr. Gorgone replied that the portfolio could be

more diversified and that the DDA portion of the portfolio assets should be increased. Additionally, Chairman Begin asked what asset allocation does the Investment Portfolio need ? Mr. Gorgone replied that with less money, an amount that does not meet future liabilities, the investment strategy should be less aggressive. It was noted that the current asset allocation of equities to fixed income assets was 70% / 30%. Mr. Gorgone and the Board agreed that this ratio represented a level of excess risk. Therefore; it was agreed that the level of risk should be reduced through adjustments to the Portfolio.

Chairman Begin and the Board discussed developing a written statement indicating that the Pension Fund has historically experienced inadequate employer contributions. And, at some future point in time the Fund will be depleted and will not be capable of servicing current obligations.

One idea which was discussed was to allocate nearly all of the Portfolio value into cash and cash equivalents. Another strategy option introduced by Mr. Gorgone involved carving out a portion of the Portfolio to be transferred into cash. This process would “take equity risk off the table” and the remainder of the Portfolio value would be managed through a related comprehensive strategy.

The Board also discussed the need to determine accurate definitions of COLA, cost of living adjustments. The issue which needs to be evaluated is the contractual definition for both Police and Fire and

whether the current practice of compounded annual increases is incorrect.